

March 20, 2006

Honorable Mayor and Trustees
Village of Croton-on-Hudson
Westchester County
Croton-on-Hudson, NY 10520

Dear Mayor and Trustees:

We have filed the tentative budget for the Village for FY 2006-2007. The total general fund budget is \$14,013,996 which requires \$9,187,753 to be raised by taxes and a tax rate of \$208.88 per \$1000 of assessed valuation. This proposed rate is \$17.99 higher than the rate for 2005–2006, which represents a 9.43 % tax rate increase. The expense increase is \$868,385 or 6.6% higher than for FY 2005-2006.

In accordance with the provisions of Article 5 of New York State Village Law, the Treasurer, our department heads, and I present this tentative budget to the Board for your consideration and review. As you know the process starts in January when our department heads submit budget estimates and worksheets to the Village Treasurer. We then meet individually with each department head to analyze and evaluate the departmental budget submissions. During those meetings we make sure there is justification for each item of expense. We then make what we consider to be appropriate changes and modifications based upon those extensive review meetings.

There are a number of factors that had an impact on the budget this year which we will be reviewing further with you when we get together for our budget work sessions. I will attempt to explain some of them to you in this budget message.

Non-tax Revenues - On the Revenue side there are some slight increases in a number of accounts which have a positive impact on the budget. Overall the non-tax revenues have increased by \$197,894. We have increased the sales tax revenues by \$35,000 based on projections from Westchester County. Parks and Recreation Program Fees have been increased by \$29,340. Fire Protection Services – Town have been increased by \$39,806 based upon the formula that we use in calculating our costs to the Mt. Airy Quaker Bridge District. Interest and Earnings has been increased by \$50,000 based upon current interest rate projections. Fines and Forfeited Bail has also been increased by \$25,000 taking into account our receipts over the past two years.

Expenditures – Overall we have tried to keep the expenditure levels for all departments at about the same levels as the last several fiscal years. As was pointed out in the March 2006 Village newsletter the majority of our costs is of a non-discretionary nature. Allocations for pension and health funds, the Fire Department Service Award program, insurance, workers compensation and debt service are examples of some of these non-

discretionary items of expense. Salary levels will be going up in accordance with union contracts and this is a significant part of the overall budget. Our fundamental mission is to provide services to the residents of the Village and this is primarily done by way of the employees who work for the Village – police officers, public works personnel, recreation and parks staff as well as the Village office staff.

Legal Expenses – We are budgeting \$317,549 for the next fiscal year to fund our legal costs. These costs have been significant with respect to the Millennium Pipeline project and Metro Enviro Transfer LLC. As the Board is aware Northeast Interchange Railway has or is in the process of taking over all of the assets of Allied Waste in Westchester County, including Metro Enviro Transfer LLC, and is intent on restarting the construction and demolition debris processing facility as soon as possible. The Village has commenced an action to take 1A Croton Point Avenue by eminent domain for use as a Public Works Facility. We anticipate that our legal costs will continue at similar or increased levels compared to the last several years. The Board and the community need to understand that these expenditures have been significant. The Village has already spent in excess of \$765,000 defending the Village's position on the Millennium Pipeline and well over \$736,000 on the Metro Enviro Transfer issue. We have funded a large amount of this cost from transfers from our fund balance. We have been fortunate so far that our fund balance has been able to absorb these costs but the net result has been that our undesignated fund balance has been decreased.

Personnel – The contract with Teamsters Local 456 will expire on May 31, 2006. The contract with the Croton Police Association runs until May 31, 2009. I believe that we have been able to achieve fair contracts for our union employees and the Village over the years and I am hopeful that we will be able to achieve a fair settlement with the Teamsters beyond June 1, 2006. I will keep the Board informed as we begin collective bargaining with the leadership of Teamsters Local 456.

In our discussions with the department heads this year four additional personnel have been requested. One additional Recreation Supervisor position was requested by Sue Menz, our Superintendent of Recreation. Two additional laborer positions were requested by Ken Kraft, our Superintendent of Public Works and one additional Police Officer was requested by our Police Chief Dennis Coxen. All four positions would provide value to the Village of Croton-on-Hudson. The workload in all departments has increased over time as the departments have been asked to do more with existing personnel levels. In consideration of the relatively high tax rate increase this year and last year I made the decision to eliminate from the budget the additional Recreation Supervisor position and one of the DPW laborer positions. I believe that the Board should go along with funding the police officer position and the laborer given the demands of those departments. I am sure that Sue Menz, Ken Kraft and Dennis Coxen will want to discuss the needs of their departments further with you and we will be engaging in those discussions shortly.

Fund Balance – We are again recommending the use of \$200,000 of fund balance to keep the tax rate down. As you may remember we had succeeded in eliminating the use of fund balance in the formula some years ago. However, by using \$200,000 in last year's budget it is difficult to eliminate it for FY 2006-2007 without having an even more severe impact on the tax rate this year. We will try in the next few years to bring this number down again if at all possible.

Assessed Valuation – Another unfortunate impact on this year's budget is the overall decrease in assessed valuation. Total assessed valuation has decreased by \$594,150 over last year. This is mainly attributable to the settlement agreement of the tax

certiorari action with Hudson National Golf Course. The Board was briefed on this by former Village Attorney Seymour Waldman on March 6th. Without this loss our total assessed valuation would have actually increased and the tax rate would have been several points lower.

Water Fund – We recommend increasing water rates this year to \$3.717 per 100 cubic feet. This is necessary to keep the water fund in balance and represents an 8% increase over the last fiscal year.

Sewer Fund – This will be the first year in implementing the sewer fund and we have projected costs of \$150,201 and a sewer rate of \$0.3717 per 100 cubic feet of water consumption.

Capital Program – The staff has spent considerable time planning the proposed capital improvements for FY 2006-2007. This and the entire five year capital improvements plan serves to guide the future decision making of the Board on capital expenses and major improvements. The capital budget for 2006-2007 is broken down into eight major areas. They are:

I.	Comprehensive Infrastructure Maintenance	\$475,000
II.	Equipment	239,000
III.	Equipment – Fire Department	129,000
IV.	Municipal Garage	0
V.	Police Department	31,000
VI.	Municipal Building Renovations	0
VII.	Recreation	520,000
VIII.	Community Development Projects	0
IX.	Water System Improvements	75,000

All of these are important to the future needs of the Village and will require using \$1,394,000 in bond anticipation notes. We should move ahead with our bond funding no later than May 31, 2006 as it will take about 90 days to complete the bond process. This means that we will not be able to have funding available until the end of August or early September for any projects which require bonding.

Financial Condition – Our auditors, Bennett, Kielson, Storch, DeSantis and Company have expressed to the Board that our financial condition is excellent. We owe special thanks to the Village Treasurer on having obtained an A1 bond rating, which is outstanding for a community our size. With this budget we are in an opportune position to keep the Village moving forward in the years ahead.

Web Site – We will include the budget on the Village web site in order to make it more accessible to our residents. We will also have copies available at the Village Office and at the Croton Free Library for the public to review. In addition we will also post the proposed budget summary page and related pie charts at the kiosk in the Croton Commons Shopping Center.

All in all, our Village Treasurer Abe Zambrano and I both believe that this tentative budget will meet the needs of the Village government for the 2006-2007 fiscal year. We have scheduled a number of budget work sessions with our key departments as follows:

Saturday, March 25 at 12:30PM	Police Department
Saturday, March 25 at 2:00PM	Fire Department
Monday, March 27 at 7:30PM	Public Works Department
Tuesday, March 28 at 7:30PM	Recreation Department

The public hearing has been scheduled for the night of April 10, 2006 and we have scheduled the budget for adoption at the special meeting of the Board on April 24, 2006.

Sincerely yours,

Richard F. Herbek
Village Manager and Budget Officer